MKHONDO LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

General Information

Mayor	Cllr. B.H. Mtshali
Councillors	Cllr. A.T. Thwala Cllr. T.S. Nkosi Cllr. S.S. Mathebula Cllr. M.P. Sibanyoni Cllr. S.N. Nkambule Cllr. P.S. Nhlabathi Cllr. J.L.T. Brussow Cllr. S.P. Kunene Cllr. N.B. Masuku Cllr. M.D. Ntuli Cllr. L.V.A. Mkhwanazi Cllr. S.R. Sangweni Cllr. C.G. Mtshali Cllr. Z.J. Mnisi Cllr. K.D. Masondo Cllr. J.S. Mngomezulu Cllr. M.O. Nkosi Cllr. M.L. Yende Cllr. M.E. Phakathi Cllr. B.J. Vilakazi Cllr. S.C. Mtshali Cllr. N.L. Nhlengethwa Cllr. Z.E. Mthimkhulu Cllr. N.C. Ndlovu Cllr. D.M. Thwala Cllr. V.D. Nkosi Cllr. S.J. Methula Cllr. P.C. Langa Cllr. V.W.Masuku Cllr. H.P. Sunkel Cllr. R.J.A. Wilson Cllr. T.E. Khumalo Cllr. B.H. Mtshali Cllr. H.A. Mncube Cllr. T.G.F. Nhleko Cllr. T.E. Motha Cllr. B.T. Mabuza Cllr. S.J. Nkosi
Municipal Council Committees	
Finance Committee	
Chairperson	Cllr. D. Ntuli
Committee members	Cllr. K.D. Masondo Cllr. R.J.A. Wilson Cllr. Z.J. Mnisi Cllr. H.A. Mncube
Corporate Services Committee	
Chairperson	Cllr. T.E. Khumalo
Committee members	Cllr. T.S. Nkosi Cllr. M.E. Phakathi Cllr. T.G.F. Nhleko Cllr. T.E. Motha

General Information

Technical services committee	
Chairperson	Cllr. M.P. Sibanyoni
Committee members	Cllr. A.T. Thwala Cllr. N.L. Nhlengethwa Cllr. S.P. Kunene Cllr. H.P. Sunkel
Community Services Committee	
Chairperson	Cllr. M.O. Nkosi
Committee members	Cllr. S.N. Kambule Cllr. B.J. Vilakazi Cllr. S.J. Methula
Municipal Public Accounts Committee	
Chairperson	Cllr. D.M. Thwala
Committee members	Cllr. C.G. Mtshali Cllr. S.R. Sangweni Cllr. S.J. Nkosi Cllr. M.L. Yende
Rules and Ethics Committee	
Chairperson	Cllr. Z.E. Mthimkhulu
Committee members	Cllr. M.L. Yende Cllr. C.G. Mtshali Cllr. V.W. Masuku Cllr. B.T. Mabuza
AD-HOC Committee on Local Geographical Names Change (L.G.N.C)	
Chairperson	Cllr. P.C. Langa
Committee members	Cllr. S.S. Mathebula Cllr. N.S. Kambule Cllr. T.S. Nkosi Cllr. M.E. Phakathi Cllr. H.A. Mncube
Grading of local authority	Low capacity municipality
Chief Finance Officer (CFO)	Mr T.D. Mabuya
Accounting Officer	Mr A.N. Mahlangu
Registered office	Cnr Market & De Wet street Piet Retief 2380
Postal address	P.O. Box 23 Piet Retief 2380
Auditors	Auditor General South Africa
Telephone number	(017) 826 8100
Fax Number	(017) 826 3129
Web address	www.mkhondo.gov.za
Email address	amahlangu@mkhondo.org.za

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 15 October 2012 and were signed on its behalf by:

Mr A.N. Mahlangu
Municipal Manager (Accounting Officer)
Piet Retief
15 October 2012

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2012.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 624,188 (2011: deficit R 12,065,540).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interest in contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordance with prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr A.N. Mahlangu

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the MFMA(Municipal Finance Management Act, No.56 of 2003). The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
  - councillors, all of whom are independent councillors as defined in the Code

Accounting Officer's Report

Audit committee

The Audit Committee members for the period under review were as follows:

		Meetings attended	Remuneration
Chair Person:	Mr. S. Mthembu	5/5	R15,141
Members:	Mr. N. Weber	3/5	R5,479
	Adv. T. Nevondwe	3/5	R5,660

The committee met 5 times during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that councillors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

Internal audit

The municipality has employed a chief internal auditor for the year under review.

Mr A.B. Ngcobo

8. Bankers

The municipality mainly banks with First National Bank Limited.

9. Auditors

Auditor General South Africa will continue in office for the next financial year.

Statement of Financial Position

Figures in Rand	Notes	2012	2011 Restated
Assets			
Current Assets			
Cash and cash equivalents	14	44,313,526	32,577,529
Consumer debtors	13	18,338,767	13,863,880
Inventories	10	4,262,235	3,332,253
Other financial assets	7	1,159,073	1,115,107
Trade and other receivables from exchange transactions	11	2,548,952	-
VAT receivable	12	-	10,504,049
Total current assets		**70,622,553**	**61,392,818**
Non-Current Assets			
Biological assets	3	55,216,232	55,216,232
Intangible assets	6	1,221,445	90,820
Investment property	4	11,407,500	11,863,800
Other financial assets	7	18,361,004	16,772,104
Property, plant and equipment	5	1,275,442,914	1,283,318,577
Total non-current assets		**1,361,649,095**	**1,367,261,533**
Non-current assets held for sale and assets of disposal groups	15	410,000	-
Total Assets		**1,432,681,648**	**1,428,654,351**
Liabilities			
Current Liabilities			
Bank overdraft	14	-	527,581
Consumer deposits	21	2,868,226	2,743,506
Other financial liabilities	16	1,475,342	1,556,450
Provisions	18	5,070,232	3,714,930
Trade and other payables from exchange transactions	19	71,766,794	69,780,932
Unspent conditional grants and receipts	17	942,000	-
VAT payable	20	2,626,869	-
Total current liabilities		**84,749,463**	**78,323,399**
Non-Current Liabilities			
Other financial liabilities	16	4,101,985	5,395,318
Provisions	18	5,336,172	6,554,470
Long service awards	9	3,218,322	2,481,270
Total non-current liabilities		**12,656,479**	**14,431,058**
Total Liabilities		**97,405,942**	**92,754,457**
Net Assets		**1,335,275,706**	**1,335,899,894**
Net Assets			
Accumulated surplus		1,335,275,706	1,335,899,894

Statement of Financial Performance

Figures in Rand	Notes	2012	2011
Revenue			
Donations received		16,618,572	-
Fines		853,510	819,110
Government grants & subsidies	25	141,468,299	96,795,002
Income from agency services		5,427,326	5,298,323
Interest received - investment	31	4,649,551	2,298,618
Other income	26	15,163,822	34,095,876
Property rates	23	15,129,808	13,256,915
Rental income		570,208	321,802
Service charges	24	96,324,150	82,403,708
Total Revenue		**296,205,246**	**235,289,354**
Expenditure			
Bulk purchases	34	69,913,697	54,532,602
Debt impairment	30	2,994,750	5,507,186
Depreciation and amortisation		67,633,436	66,731,582
Finance costs	32	1,694,254	1,880,536
General Expenses	27	55,811,445	39,676,664
Grants and subsidies paid		5,480,142	6,795,151
Impairment loss/ Reversal of impairments		667,432	-
Personnel cost	28	74,159,231	60,607,961
Remuneration of councillors	29	8,262,081	4,897,865
Repairs and maintenance		10,212,966	6,725,347
Total Expenditure		**296,829,434**	**247,354,894**
Surplus/(deficit) for the year		**(624,188)**	**(12,065,540)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	558,079,194	558,079,194
Adjustments		
Prior year adjustments - Note 41	789,886,240	789,886,240
Balance at 01 July 2010 as restated	**1,347,965,434**	**1,347,965,434**
Changes in net assets		
Surplus for the year	(12,065,540)	(12,065,540)
Total changes	(12,065,540)	(12,065,540)
Balance at 01 July 2011	**1,335,899,894**	**1,335,899,894**
Changes in net assets		
Surplus for the year	(624,188)	(624,188)
Total changes	(624,188)	(624,188)
Balance at 30 June 2012	**1,335,275,706**	**1,335,275,706**

Cash Flow Statement

Figures in Rand	Notes	2012	2011
Cash flows from operating activities			
Receipts			
Taxation		15,129,808	13,256,915
Sale of goods and services		97,770,551	96,796,620
Grants		142,410,229	96,795,002
Interest income		4,649,551	2,298,618
Other receipts	36	38,678,551	40,535,111
		298,638,690	249,682,266
Payments			
Employee costs		(79,280,147)	(65,053,979)
Suppliers		(140,881,727)	(138,374,838)
Finance costs		(1,694,254)	(1,880,536)
Other cash item	36	(2,148)	-
		(221,858,276)	(205,309,353)
Net cash flows from operating activities	35	**76,780,414**	**44,372,913**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(61,357,018)	(33,011,448)
Proceeds from sale of property, plant and equipment	5	978,114	-
Purchase of other intangible assets	6	(1,130,625)	-
Proceeds from sale of financial assets		(1,632,866)	(6,554,470)
Net cash flows from investing activities		**(63,142,395)**	**(39,565,918)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1,374,441)	(953,689)
Net cash flows from financing activities		**(1,374,441)**	**(953,689)**
Net increase/(decrease) in cash and cash equivalents		**12,263,578**	**3,853,306**
Cash and cash equivalents at the beginning of the year		32,049,948	28,196,642
Cash and cash equivalents at the end of the year	14	**44,313,526**	**32,049,948**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as prescribed by the Municipal Finance Management Act, Act 56 of 2003.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables / Consumer debtors

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit. The management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The fair value estimation in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Biological assets

An entity shall recognise a biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less point-of-sale costs.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	**Useful life**
Trees in a plantation forest	Indefinite

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

1.4 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Electricity Equipment	30 - 45 years
Electricity Cables	50 years
Electricity Poles	30 years
Roads	10 - 50 years
Road furniture	7 - 50 years
Street lights	25 years
Sewer Equipment	10 - 50 years
Sewer & Manholes	36 years
Stormwaters	20 - 50 years
Waterequipment	8 - 75 years
Water reticilation	40 - 50 years
Computer Equipment	2 - 7 years
Furniture and Office equipment	2 - 7 years
Other machinery and equipment	2 - 15 years
Transport assets	5 - 10 years
Other structures (Infrastructure assets)	5 years
Buildings	30 - 50 years
Capital work in progress	Not depreciated

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate (GRAP 3).

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

1.6 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

A financial asset is:
- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Fixed Deposit	Financial asset measured at fair value
Collective Investment Scheme	Financial asset measured at fair value
Listed Equity	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan 10861/103	Financial liability measured at amortised cost
Loan 10883/103	Financial liability measured at amortised cost
Loan 12527/102	Financial liability measured at amortised cost
Loan 9630/103	Financial liability measured at amortised cost
Loan 12528/102	Financial liability measured at amortised cost
Loan 12526/102	Financial liability measured at amortised cost
Loan 9920/103	Financial liability measured at amortised cost

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.8 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations.

Termination benefits are employee benefits payable as a result of either:
- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goodsor services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality’s own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.11 Employee benefits (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interes and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Accounting Policies

1.15 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Presentation of currency

These annual financial statements are presented in South African Rand.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.As a minimum, the following are regarded as related parties of the reporting entity:

(a) A person or a close member of that person's family is related to the reporting entity if that person:
(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the management of the entity or its controlling entity.

(b) An entity is related to the reporting entity if any of the following conditions apply:
(i) the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others); one entity is an associate or joint venture of the other entity(or an associate or joint venture of a member of an economic entity of which the other entity is a member);
(ii) both entities are joint ventures of the same third party;
(iii) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(iv) the entity is a post-employment benefit plan for the benefit of employees of either the entity oran entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
(v) the entity is controlled or jointly controlledby a person identified in (a); and
(vi) a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party,

regardless of whether a price is charged.
Significant influence is the power to participate inthe financial and operating policy decisions of anentity, but is not control over those policies.

Related party relationships where control exists shall be disclosed, irrespective of whether there have been transactions between the related parties. An entity shall disclose the name of its controlling party and if different, the ultimate controlling party.

1.28 Budget information

The municipality are subject to budgetary limits in the form of appropriations or budget authorisations, which is given effect through authorising legislation, appropriation or similar.

1.28 Budget information (continued)

A statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

Notes to the Annual Financial Statements

2. New standards and interpretations

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

Operating cash flows:
- Where an entity is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:
- Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

Acquisitions and disposals of controlled entities and other operating units:
- Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled entities accounted for using the proportionate consolidation method, now encouraged rather than required.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies
- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies
- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:
Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:
Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

Fair value measurement:
The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 16 (as revised 2010): Investment Property

The revision resulted in various terminology and definition changes.

Recognition of investment property:
- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:
Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:
- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

2. New standards and interpretations (continued)

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

Scope:
- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:
Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:
An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition:
- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:
- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.
- The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:
- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality has adopted the standard for the first time in the 2012 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

2. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3. Biological assets

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Trees in a plantation forest	55,216,232	-	55,216,232	55,216,232	-	55,216,232

Reconciliation of biological assets - 2012

	Opening balance	Total
Trees in a plantation forest	55,216,232	55,216,232

Reconciliation of biological assets - 2011

	Opening balance	Total
Trees in a plantation forest	55,216,232	55,216,232

4. Investment property

	2012			2011		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	22,815,000	(11,407,500)	11,407,500	22,815,000	(10,951,200)	11,863,800

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	11,863,800	(456,300)	11,407,500

Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Investment property	12,320,100	(456,300)	11,863,800

Additional disclosure relating to Investment property

Investment property Type	**2012**
Agricultural	650,000.00
Business	15,175,000.00
Residential	6,830,000.00
Vacant land	160,000.00

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

5. Property, plant and equipment

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	38,235,200	-	38,235,200	39,578,200	-	39,578,200
Buildings	10,761,152	(4,295,003)	6,466,149	10,761,152	(4,064,419)	6,696,733
Infrastructure	1,944,389,016	(859,218,789)	1,085,170,227	1,944,389,016	(797,427,524)	1,146,961,492
Community	9,668,500	(3,803,610)	5,864,890	9,508,500	(3,613,230)	5,895,270
Other property, plant and equipment	40,870,322	(18,281,905)	22,588,417	31,525,210	(12,704,705)	18,820,505
Capital work in progress	117,118,031	-	117,118,031	65,366,377	-	65,366,377
Total	**2,161,042,221**	**(885,599,307)**	**1,275,442,914**	**2,101,128,455**	**(817,809,878)**	**1,283,318,577**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	39,578,200	-	(933,000)	(410,000)	-	-	38,235,200
Buildings	6,696,733	-	-	-	(230,584)	-	6,466,149
Infrastructure	1,146,961,492	-	-	-	(61,791,265)	-	1,085,170,227
Community	5,895,270	160,000	-	-	(190,380)	-	5,864,890
Other property, plant and equipment	18,820,505	9,445,364	(45,114)	-	(4,964,906)	(667,432)	22,588,417
Capital work in progress	65,366,377	51,751,654	-	-	-	-	117,118,031
	1,283,318,577	**61,357,018**	**(978,114)**	**(410,000)**	**(67,177,135)**	**(667,432)**	**1,275,442,914**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	39,578,200	-	-	39,578,200
Buildings	6,927,317	-	(230,584)	6,696,733
Infrastructure	1,208,748,002	-	(61,786,510)	1,146,961,492
Community	6,085,440	-	(190,170)	5,895,270
Other property, plant and equipment	22,601,559	276,580	(4,057,634)	18,820,505
Capital work in progress	32,631,509	32,734,868	-	65,366,377
	1,316,572,027	**33,011,448**	**(66,264,898)**	**1,283,318,577**

Details of properties

A detailed property register is kept by the Municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Property, plant and equipment (continued)

Deemed cost

Deemed cost was determined using fair value OR depreciated replacement cost.

6. Intangible assets

	2012			2011		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1,224,247	(2,802)	1,221,445	93,622	(2,802)	90,820

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Total
Computer software	90,820	1,130,625	1,221,445

Reconciliation of intangible assets - 2011

	Opening balance	Total
Computer software	90,820	90,820

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

7. Other financial assets

At fair value through surplus or deficit		
Listed shares - Sanlam: 040485057X0	1,622,248	1,544,060
Listed shares - Sanlam: 042223507X7	2,758,871	2,625,818
Listed shares - Sanlam: 042473066X1	782,008	744,498
Listed Shares - Sanlam	1,339,962	1,020,712
Listed Shares - Old Mutual	523,370	378,983
Listed Shares - Old Mutual: 13093141	10,281,384	9,458,693
Fixed Deposit - ABSA: 5008322939	6,000	6,000
Fixed Deposit - ABSA: 2056165426	22,717	21,807
Fixed Deposit - First National Bank: 62254274732	1,124,443	1,081,387
Fixed Deposit - Nedbank: 18424102/9998	5,913	5,913
Fixed Deposit - Sanlam	1,053,161	999,340
	19,520,077	**17,887,211**
Non-current assets		
At fair value through surplus or deficit - designated	18,361,004	16,772,104
Current assets		
At fair value through surplus or deficit	1,159,073	1,115,107
	19,520,077	**17,887,211**

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

Figures in Rand	2012	2011

8. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Cash and cash equivalents	40,829,113	-	40,829,113
Consumer debtors	18,338,767	-	18,338,767
Other financial assets	-	19,520,077	19,520,077
Trade and other receivables	2,548,952	-	2,548,952
	61,716,832	**19,520,077**	**81,236,909**

2011

	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Cash and cash equivalents	32,577,529	-	32,577,529
Consumer debtors	13,863,880	-	13,863,880
Other financial assets	-	17,887,211	17,887,211
	46,441,409	**17,887,211**	**64,328,620**

Figures in Rand	2012	2011

9. Long service awards

Defined benefit plan

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement "defined benefit" plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statements.

Post retirement benefit plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3,218,322)	(2,481,270)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2,481,270	2,029,423
Net expense recognised in the statement of financial performance	737,052	451,847
Closing balance	**3,218,322**	**2,481,270**

Net expense recognised in the statement of financial performance

Opening balance	2,481,270	2,029,423
Current service cost	338,167	252,942
Interest cost	186,375	154,195
Actuarial (gains) losses	438,514	191,716
Expected Employer Benefit Vestings	(226,004)	(147,006)
Total included in employee related costs	**3,218,322**	**2,481,270**

Figures in Rand	2012	2011

9. Long service awards (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	6.59 %	7.86 %
General salary inflation	5.96 %	6.28 %
Net effective discount rate	0.59 %	1.49 %

Key demographic assumptions used at the report date:

Average retirement age	65.00

Proportion of eligible current non-member employees joining the scheme by retirement:

Mortality during employment:	SA85-90
Mortality post-retirement:	SA85-90(Mixed) Ultimate

It is difficult to estimate future investment returns and salary inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions bebased on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds
consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 6.59% per annum has been used. This rate does not reflect any adjustment for taxation.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation isbetween 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 4.96% was obtained from the differential between market yields on index-linked bonds (1.07%) consistent with the estimated term of the liabilities and those of nominal bonds (6.59%) witha risk premium adjustment for the uncertainty implicit in guaranteeing real increases(0.50%). Therefore, expected inflation is determined as (6.59%-0.50%-1.07%)/1.0107.

Thus, a general salary inflation rate of 5.96% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.59%. It has been assumed that the next salary increase will take place in July 2013.

10. Inventories

Consumable stores	2,201,733	1,346,726
Water	2,060,502	1,985,527
	4,262,235	**3,332,253**

Due to effective management of distribution losses during 2012, management is of the opinion that water inventory increased by 10% from 30 June 2011 to 30 June 2012.

11. Trade and other receivables from exchange transactions

Sundry Debtors	2,548,952	-

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

12. VAT receivable

VAT	-	10,504,049

13. Consumer debtors

Gross balances		
Rates	14,568,830	14,330,547
Electricity	10,276,365	4,290,511
Water	11,571,770	5,259,800
Sewerage	2,020,803	2,707,623
Refuse	5,025,365	3,907,922
Other	47,403,858	52,760,531
	90,866,991	**83,256,934**
Less: Provision for debt impairment		
Rates	(11,333,973)	(7,151,062)
Electricity	(6,250,959)	(3,792,907)
Water	(8,988,594)	(4,821,481)
Sewerage	(1,699,542)	(2,507,214)
Refuse	(4,520,757)	(3,664,941)
Other	(39,734,399)	(47,455,449)
	(72,528,224)	**(69,393,054)**
Net balance		
Rates	3,234,857	7,179,485
Electricity	4,025,406	497,604
Water	2,583,176	438,319
Sewerage	321,261	200,409
Refuse	504,608	242,981
Other	7,669,459	5,305,082
	18,338,767	**13,863,880**
Rates		
Current (0 -30 days)	609,670	385,806
31 - 60 days	636,074	392,239
61 - 90 days	687,937	396,845
91 - 120 days	678,503	405,423
121 - 365 days	622,673	5,599,172
	3,234,857	**7,179,485**
Electricity		
Current (0 -30 days)	258,420	167,549
31 - 60 days	298,490	169,470
61 - 90 days	451,714	140,675
91 - 120 days	488,526	19,910
121 - 365 days	2,528,256	-
	4,025,406	**497,604**
Water		
Current (0 -30 days)	340,123	252,127
31 - 60 days	411,541	186,192
61 - 90 days	366,796	-
121 - 365 days	1,464,716	-
	2,583,176	**438,319**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

13. Consumer debtors (continued)

Sewerage		
Current (0 -30 days)	-	134
31 - 60 days	-	134
61 - 90 days	-	134
91 - 120 days	-	134
121 - 365 days	321,261	199,873
	321,261	**200,409**

Refuse		
Current (0 -30 days)	-	219
31 - 60 days	-	219
61 - 90 days	-	219
91 - 120 days	-	219
121 - 365 days	504,608	242,105
	504,608	**242,981**

Other		
Current (0 -30 days)	(1,359,799)	335,881
31 - 60 days	1,486,815	252,169
61 - 90 days	752,057	271,895
91 - 120 days	6,790,386	4,445,137
	7,669,459	**5,305,082**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(78,606,621)	(63,885,868)
Contributions to provision	6,078,397	(5,507,186)
	(72,528,224)	**(69,393,054)**

Fair value of consumer debtors

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	18,338,767	13,863,880

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2012	2011
Cash on hand	8,171	8,171
Bank balances	4,369,360	-
Short-term deposits	39,935,995	32,569,358
Bank overdraft	-	(527,581)
	44,313,526	**32,049,948**
Current assets	44,313,526	32,577,529
Current liabilities	-	(527,581)
	44,313,526	**32,049,948**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2012	Bank statement balances 30 June 2011	Bank statement balances 30 June 2010	Cash book balances 30 June 2012	Cash book balances 30 June 2011	Cash book balances 30 June 2010
Current Accounts						
First National Bank - Cheque Account - 62013126356	2,807,641	1,057,902	9,541,179	4,369,360	(1,737,433)	(6,489,400)
Call Accounts						
First National Bank - Call Account - 740280175876	12,345,149	27,564,773	-	12,345,149	27,564,773	-
First National Bank - Call Account - 62016967351	27,590,846	5,004,585	-	27,590,846	5,004,585	-
Total	**42,743,636**	**33,627,260**	**9,541,179**	**44,305,355**	**30,831,925**	**(6,489,400)**

15. Non-current assets held for sale

The municipality has sold 2 properties after year end. The cost of the land sold is R410 000. The total revenue to be collected in the next financial year is R1 363 000.

The decision was made by the accounting officer and approved by council.

The disposal are expected to be completed by 28/02/2013.

Surplus / Deficit

	2012	2011
Revenue	1,363,000	-

Assets and liabilities

	2012	2011
Non-current assets held for sale		
Property, plant and equipment	410,000	-

Figures in Rand	2012	2011

16. Other financial liabilities

Held at amortised cost		
DBSA Sewerage	387,222	636,890
DBSA Streets Ethanda	574,202	674,093
DBSA Electricity Ethanda	1,545,680	2,168,155
DBSA Electricity Ext 5	-	11,824
DBSA Electricity Ext 7 & 9	1,594,881	1,904,356
Short-term portion of Long-term Loans	1,475,342	1,556,450
	5,577,327	**6,951,768**

Please refer to Appendix A for detail disclosure on loans.

Non-current liabilities		
At amortised cost	4,101,985	5,395,318
Current liabilities		
At amortised cost	1,475,342	1,556,450
	5,577,327	**6,951,768**

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme Incentive Grant	942,000	-

Movement during the year

Balance at the beginning of the year	18,450,152	735,949
Additions during the year	115,871,299	42,453,764
Unpsent grants not approved for rollover for the year	(22,569,597)	(23,743,412)
Income recognition during the year	(110,809,854)	(19,446,301)
	942,000	**-**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

National Treasury has declined the roll-over of the Unspent Grants for 2011 and 2012 due to late submission of the 2012 Financial Statements and the Section 71 reports submitted which did not balance to the Unspent Grants reported for roll-over. The municipality is currently resolving this matter.

Figures in Rand	2012	2011

18. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Change in discount factor	Total
Land fill site provision	6,554,470	-	(1,218,298)	5,336,172
Leave provision	3,714,930	1,355,302	-	5,070,232
	10,269,400	**1,355,302**	**(1,218,298)**	**10,406,404**

Reconciliation of provisions - 2011

	Opening Balance	Additions	Reversed during the year	Total
Land fill site provision	-	6,554,470	-	6,554,470
Leave provision	6,554,470	-	(2,839,540)	3,714,930
	6,554,470	**6,554,470**	**(2,839,540)**	**10,269,400**

Non-current liabilities	5,336,172	6,554,470
Current liabilities	5,070,232	3,714,930
	10,406,404	**10,269,400**

19. Trade and other payables from exchange transactions

Trade payables	42,069,149	37,683,905
13th Cheque accrual	2,007,814	1,478,510
Operating lease payables	-	43,885
Sundry creditors	4,384,324	6,831,220
Unspent Grants	23,305,507	23,743,412
	71,766,794	**69,780,932**

20. VAT payable

Tax refunds payables	2,626,869	-

21. Consumer deposits

Electricity	2,236,828	2,236,828
Water	631,398	506,678
	2,868,226	**2,743,506**

22. Revenue

Property rates	15,129,808	13,256,915
Service charges	96,324,150	82,403,708
Income from agency services	5,427,326	5,298,323
Fines	853,510	819,110
Government grants & subsidies	141,468,299	96,795,002
	259,203,093	**198,573,058**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

22. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	96,324,150	82,403,708
Income from agency services	5,427,326	5,298,323
	101,751,476	**87,702,031**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15,129,808	13,256,915
Fines	853,510	819,110
Transfer revenue		
Levies	141,468,299	96,795,002
	157,451,617	**110,871,027**

23. Property rates

Valuations

Residential	1,425,509,800	1,425,509,800
Commercial	732,232,300	732,232,300
State	245,598,500	245,598,500
Municipal	70,096,380	70,096,380
Small holdings and farms	2,185,476,400	2,185,476,400
Vacant Land	71,183,500	71,183,500
Other	461,629,500	461,629,500
	5,191,726,380	**5,191,726,380**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate of 0,00716 c/R on residential property and business/ industrial and state owned 0,00742, Agriculture , Public Service Infrastructure has an additional 30% exemption according to Sect 17(1)(a), Public Benefit Organisation 0.00179, and 0.01290 c/R on Vacant property (2010/2011 Res: 0,00675 ,Business/Industrial 0.007, Vacant 0.004 and the rest was 0.002 respectively) is applied on property valuations with effect of 01 July 2009 in terms of the Property Rates Act to determine assessment rates.

Rates are levied on a monthly basis. The new general valuation will be implemented on 01 July 2013.

24. Service charges

Sale of electricity	72,647,194	60,117,991
Sale of water	12,417,078	11,219,597
Sewerage and sanitation charges	4,925,082	5,128,004
Refuse removal	6,334,796	5,938,116
	96,324,150	**82,403,708**

Figures in Rand	2012	2011

25. Government grants and subsidies

Equitable share	81,170,000	73,345,491
Municipal Infrastructure Grant (MIG)	51,032,200	29,953,582
Municipal Systems Improvement Grant (MSIG)	1,453,520	105,982
Financial Management Grant (FMG)	1,275,757	1,594,835
Spatial Development Framework	805,827	-
LGSETA	301,968	208,764
Integrated National Electrification Programme	5,429,027	(8,413,652)
	141,468,299	**96,795,002**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

Current-year receipts	48,703,000	40,495,000
Conditions met - transferred to revenue	(51,032,200)	(20,406,879)
Transferred to trade and other payables due to roll-over application being denied	2,329,200	(20,088,121)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	1,525,910	750,000
Conditions met - transferred to revenue	(2,189,430)	(14,090)
Transferred to trade and other payables due to roll-over application being denied	663,520	(735,910)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Financial Management Grant (FMG)

Balance unspent at beginning of year	-	40
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,275,797)	(974,243)
Transferred to trade and other payables due to roll-over application being denied	25,797	(25,797)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Human Settlement

Current-year receipts	-	5,073,142
Conditions met - transferred to revenue	(805,827)	(3,004,160)
Transferred to trade and other payables due to roll-over application being denied	805,827	(2,068,982)
	-	-

Conditions still to be met - remain liabilities (see note 17).

LGSETA

Current-year receipts	741,981	208,764
Conditions met - transferred to revenue	(390,516)	(120,071)

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

25. Government grants and subsidies (continued)

Transferred to trade and other payables due to roll-over application being denied	(351,465)	(88,693)
	-	-

Conditions still to be met - remain liabilities (see note 17).

Integrated National Electrification Programme

Current-year receipts	8,464,000	-
Conditions met - transferred to revenue	(5,429,027)	-
Transferred to trade and other payables due to roll-over application being denied	(3,034,973)	-
	-	-

Conditions still to be met - remain liabilities (see note 17).

26. Other income

Administration costs	11,436	9,175
Advertising	18,600	19,529
Building and clearance certificates	92,532	92,570
Cemetery fees	119,264	150,845
Commission income	69,240	45,216
Debtors recovered money	4,800,207	-
LGSETA	1,933,632	4,414,604
Photo copies	7,645	8,238
Sale of refuse bins	1,569	2,219
Sub-division of stands	129,302	2,076,732
Sundry income	1,076,976	26,268,374
Timber sales	6,903,419	1,008,374
	15,163,822	**34,095,876**

27. General expenses

Advertising	506,830	455,747
Auditors remuneration	2,755,195	2,553,219
Bank charges	794,614	310,013
Cleaning	1,593,599	1,156,934
Community development and training	12,870,653	37,700
Consulting and professional fees	9,654,245	12,541,142
Consumables	983,939	392,317
Donations	482,812	8,898
Electricity	3,122,953	3,396,296
Entertainment	437,976	349,002
Election expenses	-	120,018
Insurance	2,613,340	2,150,106
Lease rentals on operating lease	874,787	1,338,435
Placement fees	14,828	6,411
Printing and stationery	1,275,739	1,271,293
Protective clothing	468,600	125,552
Security	4,747,411	3,095,487
Subscriptions and membership fees	488,837	350,736
Telephone and fax	1,946,916	2,526,267
Training	215,266	108,340
Transport and freight	8,562,439	5,992,024
Water	1,400,466	1,390,727
	55,811,445	**39,676,664**

Figures in Rand	2012	2011

28. Employee related costs

Acting allowances	1,697,280	372,772
Basic	45,067,287	41,026,094
Bonus	4,436,818	3,870,125
Housing benefits and allowances	944,703	943,562
Industrial council levies	-	5,854
Long-service awards	-	202,696
Medical aid contributions	2,002,382	1,585,593
Overtime payments	4,393,530	3,313,185
Pensionfund contributions	9,261,189	6,264,852
Travel allowance	2,254,126	1,053,779
Subsistence and other allowances	2,393,540	667,203
Unimployment insurance fund contributions	481,154	355,090
	72,932,009	**59,660,805**

Remuneration of municipal manager

Annual Remuneration	434,313	-
Travel, motor car, accommodation, subsistence and other allowances	209,634	-
Contributions to UIF, Medical and Pension Funds	94,757	-
	738,704	**-**

Remuneration of chief finance officer

Annual Remuneration	294,231	81,984
Travel, motor car, accommodation, subsistence and other allowances	188,691	-
Contributions to UIF, Medical and Pension Funds	5,596	-
	488,518	**81,984**

Corporate and human resources (corporate services)

Annual Remuneration	173,077	-
Car Allowance	74,499	-
Contributions to UIF, Medical and Pension Funds	48,286	-
Acting Allowance	45,206	-
	341,068	**-**

Technical Manager

Annual Remuneration	207,692	-
Car Allowance	110,331	-
Contributions to UIF, Medical and Pension Funds	49,298	-
Acting Allowance	38,748	-
	406,069	**-**

Community Manager

Annual Remuneration	80,154	-
Car Allowance	22,199	-
Contributions to UIF, Medical and Pension Funds	16,398	-
	118,751	**-**

The above remunerations does not consist of prior year discolsure as the municipality did not have these positions filled at the time.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

29. Remuneration of councillors

Executive Major	725,808	531,678
Speaker	540,656	434,612
Councillors	6,995,617	3,931,575
	8,262,081	**4,897,865**

30. Debt impairment

Debt impairment	2,994,750	5,507,186

31. Investment revenue

Interest revenue		
Bank	4,638,130	2,298,618
Interest charged on trade and other receivables	11,421	-
	4,649,551	**2,298,618**

32. Finance costs

Trade and other payables	26,485	-
Bank	-	416,635
Current borrowings	930,717	1,012,054
Other interest paid	737,052	451,847
	1,694,254	**1,880,536**

33. Auditors' remuneration

Fees	2,755,195	2,553,219

34. Bulk purchases

Electricity	66,731,918	50,416,707
Water	3,181,779	4,115,895
	69,913,697	**54,532,602**

35. Cash generated from operations

Surplus/(deficit)	(624,188)	(12,065,540)
Adjustments for:		
Depreciation and amortisation	67,633,436	66,731,582
Impairment deficit	667,432	-
Debt impairment	2,994,750	5,507,186
Movements in retirement benefit assets and liabilities	737,052	2,481,270
Movements in provisions	137,004	10,269,400
Changes in working capital:		
Inventories	(929,982)	(3,332,253)
Trade and other receivables from exchange transactions	(2,548,952)	-
Consumer debtors	(7,469,625)	(19,371,066)
Trade and other payables from exchange transactions	1,985,849	(22,909,039)
VAT	13,130,918	17,061,373
Unspent conditional grants and receipts	942,000	-
Consumer deposits	124,720	-
	76,780,414	**44,372,913**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

36. Other receipts

Other Income	13,230,190.00	
Traffic Fines	853,510.00	
Licences and permits	5,427,326.00	
Public contributions and donations	16,618,572.00	
Profit on sale of assets	1,978,745.00	
Rental income	570,208.00	
Total other receipts	38,678,551.00	

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	153,675,549	8,704,779

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	215,573	209,880

Operating lease payments represent rentals payable by the municipality for certain of its office properties.Leases are negotiated for an average term of five years. No contingent rent is payable.

Operating leases - as lessor (income)

38. Contingencies

(i) The municipality is being sued for R1 931 288 by Bareki Management Consulting for amounts due and owing, secondly, for an alleged breach of contract by the Municipality. The matter has been set down for hearing on the 12th October 2012.

(ii) The municipality is being sued for R 558 844 by Busamasi Investment for services rendered and retention money allegedly due and owing by the municipality. A plea on which a special plea was raised was filed at court and served on Plaintiff.

(iii) The municipality is being sued for R1 396 370.67 by Pomoja Technologies for alleged breach of contract by the Municipality. An application for summary judgment by the Plaintiff was unsuccessful. The matter is still pending.

(iv) The municipality is being sued for R 127 082.46 by Urban-Econ Development Economists for an alleged breach of contract by the Municipality. An application for summary judgment by the plaintiff was unsuccessful. A notice of exception against the plaintiff in particulars of claim has been filed at court by the Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

39. Related parties

Relationships

Mr A.N. Mahlangu(Accounting Officer)	Refer to accounting officer's report note
Mr M.J. Mkhonza(Corporate Services)	Section 57 Manager
Mr K.L. Mashile(Technical Services)	Section 57 Manager
Mr W.T. Nkonyane(Community Services)	Section 57 Manager
Mr T.D. Mabuya(Financial Services CFO)	Section 57 Manager

Councilors

Cllr. A.T. Thwala
Cllr. T.S. Nkosi
Cllr. S.S. Mathebula
Cllr. M.P. Sibanyoni
Cllr. S.N. Nkambule
Cllr. P.S. Nhlabathi
Cllr. J.L.T. Brussow
Cllr. S.P. Kunene
Cllr. N.B. Masuku
Cllr. M.D. Ntuli
Cllr. L.V.A. Mkhwanazi
Cllr. S.R. Sangweni
Cllr. C.G. Mtshali
Cllr. Z.J. Mnisi
Cllr. K.D. Masondo
Cllr. J.S. Mngomezulu
Cllr. M.O. Nkosi
Cllr. M.L. Yende
Cllr. M.E. Phakathi
Cllr. B.J. Vilakazi
Cllr. S.C. Mtshali
Cllr. N.L. Nhlengethwa
Cllr. Z.E. Mthimkhulu
Cllr. N.C. Ndlovu
Cllr. D.M. Thwala
Cllr. V.D. Nkosi
Cllr. S.J. Methula
Cllr. P.C. Langa
Cllr. V.W.Masuku
Cllr. H.P. Sunkel
Cllr. R.J.A. Wilson
Cllr. T.E. Khumalo
Cllr. B.H. Mtshali
Cllr. H.A. Mncube
Cllr. T.G.F. Nhleko
Cllr. T.E. Motha
Cllr. B.T. Mabuza
Cllr. S.J. Nkosi

Figures in Rand	2012	2011

40. Accounting Officer's emoluments

Executive

2012

	Emoluments	Total
Mr A.N. Mahlangu	738,704	738,704

41. Prior period errors

The following reason arise in terms of the prior period errors:

-Employee related costs not recognised in terms of GRAP 25
-Administration not recognised in terms of GRAP 1
-Depreciation and amortisation not recognised in terms of GRAP 17
-Finance costs not recognised in terms of GRAP 5
-Repairs and maintenance not recognised in terms of GRAP 1
-Bulk purchases not recognised in terms of GRAP 1
-General Expenses not recognised in terms of GRAP 1
-Finance lease obligation not recognised in terms of GRAP 13
-Unspent Conditional Government Grants and Receipts not recognised in terms of GRAP 1
-Vat incorrectly recognised
-Trade and other payables from exchange transactions not recognised in terms of ISA 39
-Bank Overdraft not recognised in terms of GRAP 1
-Property, Plant and Equipment not recognised in terms of GRAP 17
-Investment Property not recognised in terms of GRAP 13
-Inventory not recognised in terms of GRAP 12
-Trade Receivables from exchange transactions not recognised in terms of GRAP 9
-Other Receivables from non-exchange transactions not recognised in terms of GRAP 23
-Cash and Cash Equivalents not recognised in terms of GRAP 1
-Other financial assets not recognised in terms of GRAP 104

The correction of the error(s) results in adjustments as follows:

<u>Statement of financial position</u>		
Non-Current Liabilities		
Finance lease obligation	-	43,885
Retirement benefit obligation	-	(2,481,270)
Current Liabilities		
Unspent Conditional Government Grants and Receipts	-	(27,564,773)
Value added taxation	-	(6,477,936)
Trade and other payables from exchange transactions	-	62,152,606
Bank Overdraft	-	(7,907,837)
Non-Current Assets		
Property, Plant and Equipment	-	833,555,691
Investment Property	-	(2,728,362)
Current Assets		
Inventory	-	749,751
Trade Receivables from exchange transactions	-	(35,671,988)
Other Receivables from non-exchange transactions	-	(291,534)
Cash and Cash Equivalents	-	7,416,419
Other financial assets	-	1,115,107
VAT receivable	-	10,504,049
Nett Assets		
Accumulated Surplus/(deficit)	-	(789,886,240)

Figures in Rand	2012	2011

41. Prior period errors (continued)

<u>**Statement of Financial Performance**</u>		
Expenses		
Employee related costs	-	4,338,067
Depreciation and amortisation	-	63,166,238
Finance costs	-	272,059
Repairs and maintenance	-	(850,201)
Bulk purchases	-	4,115,895
Grants and subsidies paid	-	(875,984)
General Expenses	-	2,628,917

42. Comparative figures

Certain comparative figures have been reclassified.

The line items were reclassified to ensure accuracy of disclosure.

The effects of the reclassification are as follows:

Statement of Financial Performance		
Rendering of services in agricultural activities	-	1,008,374
Property rates	-	(34,000)
Service charges	-	(2,172,665)
Public contributions and donations	-	25,968,229
Fines	-	162,128
Government grants & subsidies	-	(5,399,920)
Miscellaneous other revenue	-	4,414,604
Commissions received	-	45,216
Other income	-	(32,737,142)
Remuneration of councillors	-	1,967,291
Administration	-	16
Grants and subsidies paid	-	875,984
General Expenses	-	(2,628,917)

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Events after the reporting date

The Municipality's roll over application has since been approved after the reporting date for Unspent Grants totalling R22,569,597.

45. Unauthorised expenditure

Opening balance	5,558,481	-
Unauthorised expenditure	83,399,912	5,558,481
Less: Condoned	-	-
	88,958,393	**5,558,481**

Unauthorised expenditure for the period per Vote totaled R83,399,912. The total unauthorised expenditure per department totaled R83,399,912. The total unauthorised expenditure per Statement of Financial Performance line items totaled R75,098,847. The total unauthorised expenditure as at 30 June 2012 is R88,958,393. Please refer to Note 52

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

46. Fruitless and wasteful expenditure

Opening balance	1,758,949	-
PAYE Penalties and interest	36,281	219,792
VAT Penalties and interest	-	1,539,157
Short bankings	1,161,341	-
Overtime not allowable	356,253	-
Less: Condoned	-	-
	3,312,824	**1,758,949**

47. Irregular expenditure

Opening balance	11,094,425	-
Add: Irregular Expenditure - current year	963,515	11,094,425
Less: Amounts condoned	-	-
	12,057,940	**11,094,425**

48. Additional disclosure in terms of Municipal Finance Management Act

Material losses

Electricity losses for the current year amounted to 26% i.e. R27 316 597. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.
Non revenue water i.e. non billed water amounted to 80% i.e. R8 872 402. 37.56% of these losses can be accounted for it terms of the National Guidelines for nonrevenue water. 25% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Current year subscription / fee	2,755,195	2,553,219
Amount paid - current year	(2,755,195)	(2,553,219)
	-	**-**

PAYE and UIF

Current year subscription / fee	7,589,007	6,204,458
Amount paid - current year	(7,589,007)	(6,204,458)
	-	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	4,660,379	3,954,722
Amount paid - current year	(4,660,379)	(3,954,562)
	-	**160**

VAT

VAT receivable	-	10,504,049
VAT payable	2,626,869	-
	2,626,869	**10,504,049**

All VAT returns have been submitted by the due date throughout the year.

48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. P.C. Langa	851	1,363	2,214
Cllr. P.C. Langa 2	549	-	549
Cllr. B.H. Mtshali	982	-	982
Cllr. V.W. Masuku	565	-	565
Cllr. R.J.A. Wilson	1,335	-	1,335
Cllr. V.D. Nkosi	660	-	660
	4,942	**1,363**	**6,305**

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. R.J.A. Wilson	1,414	-	1,414
Cllr. D.M. Thwala	397	3,175	3,572
Cllr. G.H. Mtshali	229	-	229
Cllr. P.C. Langa	555	-	555
Cllr. V.D. Nkosi	397	-	397
Cllr. M.D. Ntuli	(253)	(352)	(605)
Cllr. S.R. Sangweni	1,204	-	1,204
Cllr. Z.J. Mnisi	1,117	811	1,928
Cllr. M.O. Nkosi	(35)	211	176
Cllr. H.P. Sunkel	171	(206)	(35)
Cllr. J.L.I. Brussouw	2,203	12,105	14,308
Cllr. Z.E. Mthimkhulu	(143)	(768)	(911)
	7,256	**14,976**	**22,232**

49. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

50. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

A register of deviations are kept at the Municipal Manager's office and is available for inspection.

Notes to the Annual Financial Statements

Figures in Rand

52. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	22,667,000	13,127,000	13,127,000	15,129,808		(2,002,808)	115 %	67 %
Service charges	93,780,000	96,826,000	96,826,000	96,324,150		501,850	99 %	103 %
Investment revenue	1,329,000	1,500,000	1,500,000	4,649,551		(3,149,551)	310 %	350 %
Transfers recognised - operational	90,772,000	101,693,000	101,693,000	141,468,299		(39,775,299)	139 %	156 %
Other own revenue	23,616,000	21,552,000	21,552,000	38,633,438		(17,081,438)	179 %	164 %
Total revenue (excluding capital transfers and contributions)	**232,164,000**	**234,698,000**	**234,698,000**	**296,205,246**		**(61,507,246)**	**126 %**	**128 %**
Employee costs	(68,963,000)	(65,543,000)	(65,543,000)	(74,159,231)	8,616,231	8,616,231	113 %	108 %
Remuneration of councillors	(9,414,000)	(9,785,000)	(9,785,000)	(8,262,081)	-	(1,522,919)	84 %	88 %
Debt impairment	-	-	-	(2,994,750)	1,904,970	2,994,750	DIV/0 %	DIV/0 %
Depreciation and asset impairment	-	-	-	(68,300,868)	63,453,918	68,300,868	DIV/0 %	DIV/0 %
Finance charges	(1,400,000)	(900,000)	(900,000)	(1,694,254)	57,202	794,254	188 %	121 %
Materials and bulk purchases	(64,550,000)	(75,000,000)	(75,000,000)	(69,913,697)	-	(5,086,303)	93 %	108 %
Transfers and grants	(41,009,000)	(16,009,000)	(16,009,000)	(5,480,142)	-	(10,528,858)	34 %	13 %
Other expenditure	(37,186,000)	(67,362,000)	(67,362,000)	(66,024,411)	1,066,526	(1,337,589)	98 %	178 %
Total expenditure	**(222,522,000)**	**(234,599,000)**	**(234,599,000)**	**(296,829,434)**	**75,098,847**	**62,230,434**	**127 %**	**133 %**
Surplus/(Deficit) for the year	**9,642,000**	**99,000**	**99,000**	**(624,188)**		**723,188**	**(630)%**	**(6)%**

Mkhondo Local Municipality
Appendix A
June 2012

Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Short term Rand	Long term Rand
Development Bank of South Africa								
DBSA Elec Ext 7 & 9	10861/103	30/09/2017	2,106,910	-	207,991	1,898,919	303,783	1,595,136
Strate Ethanda	10883/103	31/03/2018	739,703	-	67,235	672,468	98,266	574,202
DBSA Las Beheerstelsel	12527/102	30/06/2012	128,907	-	56,512	72,395	72,395	-
DBSA Sewerage	9630/103	30/09/2014	844,297	-	211,876	632,421	245,199	387,222
DBSA Elec Ext 5	12528/102	30/06/2013	29,428	-	4,441	24,987	24,987	-
DBSA Electricity	12526/102	30/06/2012	296,418	-	132,273	164,145	164,145	-
DBSA Elec Ethanda	9920/103	30/09/2015	2,572,504	-	458,820	2,113,684	568,004	1,545,680
			6,718,167	**-**	**1,139,148**	**5,579,019**	**1,476,779**	**4,102,240**
Total external loans								
Development Bank of South Africa			6,718,167	-	1,139,148	5,579,019	1,476,779	4,102,240
			6,718,167	**-**	**1,139,148**	**5,579,019**	**1,476,779**	**4,102,240**

Mkhondo Local Municipality
Appendix E(1)
June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	2012 Act. Bal. Rand	2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	15,129,808	13,127,000	2,002,808	15.3	
Service charges	96,324,150	96,826,000	(501,850)	(0.5)	
Income from agency services	-	-	-	-	
Fines	-	-	-	-	
Government grants & subsidies	141,468,299	101,693,000	39,775,299	39.1	
Miscellaneous other revenue	39,141,551	21,552,000	17,589,551	81.6	
Rental income	-	-	-	-	
Other income	-	-	-	-	
Interest received - investment	4,649,551	1,500,000	3,149,551	210.0	
	296,713,359	234,698,000	62,015,359	26.4	
Expenses					
Personnel	(73,629,926)	(65,543,000)	(8,086,926)	12.3	
Remuneration of councillors	(8,262,081)	(9,785,000)	1,522,919	(15.6)	
Depreciation	(66,358,071)	-	(66,358,071)	-	
Finance costs	(930,717)	(900,000)	(30,717)	3.4	
Debt impairment	(1,904,970)	-	(1,904,970)	-	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	(62,265,525)	(75,000,000)	12,734,475	(17.0)	
Grants and subsidies paid	(5,480,142)	(16,009,000)	10,528,858	(65.8)	
General Expenses	-	-	-	-	
Other (taken out of General expenses)	(66,630,702)	(67,362,000)	731,298	(1.1)	
	(285,462,134)	(234,599,000)	(50,863,134)	21.7	
Net surplus/ (deficit) for the year	11,251,225	99,000	11,152,225	,264.9	